



**ORA**  
Office of Ratepayer Advocates  
California Public Utilities Commission  
State of California

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May 25, 2005

Mr. Sean Gallagher, Director - Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, CA 94102

**Protest to San Diego Gas & Electric Company Advice Letter Number 1526-G**

Dear Mr. Gallagher:

On May 5, 2005, San Diego Gas & Electric Company (SDG&E) submitted Advice Letter No. 1526-G, for filing changes and revisions to its gas tariff schedules. Among other changes and revisions, SDG&E seeks to increase the Schedule GPC rate by "\$0.011 per therm relating to a prior period billing adjustment." ORA protests the incorporation of this \$0.011 per therm cost in procurement rates, as requested within the Advice Letter, absent a more thorough showing and appropriate documentation of the request. ORA has been informally informed that the \$0.011 per therm component of the procurement rate change is associated with the rebilling of gas charges due to the discovery of "unmetered gas" (valued at approximately \$34.0 million over a 6-year period) that flowed from Southern California Gas Company's (SoCalGas) gas pipeline into the SDG&E system. SDG&E characterizes this situation as a "meter error." However, the Advice Letter is deficient given there is no evidence to justify the recovery of these costs through SDG&E's procurement customers rates.

ORA protests this Advice Letter because SDG&E's filing fails to explain the "prior period billing adjustment" and makes absolutely no mention of the unmetered gas situation. The Advice Letter provides essentially no justification or support for this increase. SDG&E cites no Commission authorization for inclusion of this cost component in its procurement rates. SDG&E provides no details regarding the calculation of this cost component, no details regarding the total amount of the cost, no details regarding how SoCalGas derived the cost and how SDG&E verified or audited the accuracy of this cost, no information regarding why SDG&E has agreed to make any such payment, no documentation to justify that such costs are properly recoverable from its customers, and no analysis pertaining to the allocation of such costs (assuming they are recoverable from customers) among its procurement and non-

procurement (transportation only) customers. It appears from the Advice Letter that SDG&E is allocating this cost only to its procurement customers, while if it is properly recoverable then it should be allocated among all customers in an appropriate, Commission-approved manner. Given that the situation extended over a long-term (six-year) period, it may have impacts regarding the past calculation and treatment of lost and unaccounted for gas for both SoCalGas and SDG&E which should be analyzed before any cost recovery is authorized.

ORA has no objections to the other rate adjustments contained in the instant Advice Letter. SDG&E should be directed to refile its Advice Letter and remove the \$0.011 per therm increase relating to the prior period billing adjustment. SDG&E should be directed to file a separate Advice Letter or Application requesting Commission authorization to recover the costs associated with payments related to the prior period billing adjustment. SDG&E should be expected to include in such a filing all information, data, documentation and analyses necessary to justify and support the recovery of such costs from its customers.

If you need information regarding this letter, please contact Ramesh Ramchandani at (415) 703-2765.

Sincerely,

R. Mark Pocta  
Program Manager  
Office of Ratepayer Advocates

cc: Richard Myers, Energy Division  
Jerry Royer, Energy Division  
Monica Wiggins, Sempra Utilities  
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